

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

## DOCUSIGN, INC.,

**Plaintiff,**

No. C06-0906Z

V.

## SERTIFI, INC.,

## ORDER

## Defendant.

This matter comes before the Court on a Motion for a Preliminary Injunction by Plaintiff Docusign, Inc. (“DocuSign”), docket no. 3, a motion to declare patent invalid in the Response of Defendant Sertifi, Inc. (“Sertifi”), docket no. 12, and Sertifi’s Surreply Request to Strike New Materials in Reply, docket no. 21. The Court having reviewed the briefing, exhibits, and declarations, and being fully informed, hereby enters the following Order.

## BACKGROUND

On June 28, 2006, Plaintiff DocuSign filed a Complaint for Patent Infringement against Defendant Sertifi. DocuSign alleges that Sertifi infringes U.S. Patent No. 6,289,460 (the “‘460 Patent”) by offering for sale in the United States its “Sertifi system” for electronic document management. See Compl., docket no. 1, ¶¶ 6-10. The ’460 Patent claims “a system for allowing predesignated users at remotely located computer-based systems to

1 perform document management.” Id. The claimed invention is used for online business  
 2 transactions, including the application of electronic signatures to documents in a feasible and  
 3 secure manner. See Lorenzini Decl., docket no. 4, ¶¶ 2-5.<sup>1</sup>

4 Docusign is incorporated in Washington, with its principal place of business in  
 5 Seattle, Washington. Id. ¶ 1. Docusign launched its commercial “DOCUSIGN” document  
 6 management system in early 2004. Id. ¶¶ 9, 10. Docusign claims commercial success,  
 7 securing over 800 corporate accounts in a variety of industries for its DOCUSIGN document  
 8 management system. Id. ¶ 10. Defendant Sertifi is incorporated in Illinois and has its  
 9 principal place of business in Chicago, Illinois. Answer, docket no. 11, ¶ 2. Sertifi was  
 10 founded in October 2003, and provides document signature services using its Sertifi system.  
 11 Stojka Decl., docket no. 14, ¶¶ 1, 2. It is unclear whether Sertifi has generated any revenue  
 12 to date, but its founder, director, and vice president, Nick Stojka, states that “Sertifi  
 13 anticipates generating \$150,000 for the balance of 2006, \$500,000 for 2007, and \$2,000,000  
 14 for 2008.” Id. ¶ 4.

15 Docusign filed this lawsuit on June 28, 2006, and moved for a preliminary injunction  
 16 simultaneously with the filing of the Complaint. Docusign seeks to enjoin Sertifi from  
 17 “utilizing, offering for sale or selling the current Sertifi system,” on the grounds that the  
 18 Sertifi system infringes the ’460 Patent. Proposed Order, docket no. 3, at 2. Sertifi’s entire  
 19 business is providing documents signature services with the Sertifi system. Stojka Decl.,  
 20 docket no. 14, ¶ 2. Docusign urges the Court not to require a bond. See Pl.’s Mot, docket  
 21 no. 3, at 18.

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25       <sup>1</sup> The Lorenzini declaration does not bear Mr. Lorenzini’s signature. Electronic  
 26 signatures for non-attorneys are not permitted by the Local Rules and CM/ECF guidelines. In  
 future filings, the Court expects the parties to comply with the Local Rules as they relate to the  
 signing of documents by non-lawyers.

1           **DISCUSSION**

2           **A.     Defendant Sertifi's Motion to Strike**

3           Sertifi moves the court to strike new facts and argument in Docusign's Reply. Sertifi  
 4 contends that after identifying deficiencies in the Motion for Preliminary Injunction,  
 5 Docusign added new facts, evidence, and argument in Reply. Specifically, Sertifi alleges  
 6 that Docusign added new facts and analysis to address Sertifi's argument that (a) Docusign  
 7 failed to provide any evidence of irreparable harm, and (b) Docusign ignored Federal Circuit  
 8 precedent by failing to consider the specification and prosecution history in claim  
 9 construction. Sertifi also alleges that Docusign changed its claim construction position in  
 10 Reply. See Supp. Sokolowski Decl., docket no. 19, at ¶¶ 2-21. The Supplemental  
 11 Sokolowski Declaration references a host of new evidence and information, and provides ten  
 12 pages of new expert opinion on claim construction.<sup>2</sup>

13           It is well established that new arguments and evidence presented for the first time in  
 14 Reply are waived. E.g., United States v. Patterson, 230 F.3d 1168, 1172 (9th Cir. 2000).  
 15 Docusign's Reply raises new evidence and argument regarding irreparable harm and claim  
 16 construction. Docusign submits extensive supplemental declarations from both its founder  
 17 and expert witness. These declarations address issues which should have been addressed in  
 18 the opening brief, and the new evidence is inappropriate for Reply. The scope of new  
 19 evidence is too extensive to remedy by merely allowing supplemental briefing.<sup>3</sup>

20           Sertifi's Motion to Strike, docket no. 21, is GRANTED.

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22           <sup>2</sup> The original Sokolowski declaration contained no basis for Ms. Sokolowski's expert  
 23 opinions on claim construction, but was accompanied by an exhibit with her "opinion as to the  
 24 proper interpretation of each of the claim terms." See Sokolowski Decl., docket no. 5, ¶ 15, ex.  
 25 B. Ms. Sokolowski's opinion on claim construction was identical to that of Mr. Court  
 26 Lorenzini, president and CEO of Docusign. See Lorenzini Decl., docket no. 4, ex. C.

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28           <sup>3</sup> The Court takes this opportunity, early in this case, to advise the parties against  
 29 extensive argument and legal analysis within their expert declarations. Technical experts are  
 30 not qualified to make legal conclusions and arguments, and where a party elects to include legal  
 31 arguments in a technical declaration, rather than in a brief, those arguments may appropriately  
 32 be disregarded.

1      **B. Plaintiff Docusign's Motion for Preliminary Injunction**

2            “Courts have the power to grant injunctions to prevent the violation of patent rights.”  
 3        Pfizer, Inc. v. Teva Pharmas., USA, Inc., 429 F.3d 1364, 1372 (Fed. Cir. 2005) (citing 35  
 4        U.S.C. § 283 (2000)). “In considering whether to grant a preliminary injunction, a court  
 5        must consider whether the patent owner has shown: (1) a reasonable likelihood of success on  
 6        the merits; (2) the prospect of irreparable harm to the patent owner; (3) the balance of  
 7        hardships tips in its favor; and (4) granting the injunction would not adversely affect the  
 8        public interest.” Id.

9            **1. Likelihood of Success on the Merits**

10          In order to demonstrate that it has a likelihood of success on the merits, Docusign  
 11        must show that (1) it will likely prove that Sertifi infringes the ’460 Patent, and (2) its  
 12        infringement claim will likely withstand Sertifi’s challenges to the validity and enforceability  
 13        of the ’460 Patent. See Genentech, Inc. v. Novo Nordisk A/S, 108 F.3d 1361, 1364 (Fed.  
 14        Cir. 1997).

15            **a. Infringement**

16          “Determining the likelihood of infringement requires two steps, first claim  
 17        construction and second a comparison of the properly construed claims to the accused  
 18        product.” Pfizer, 429 F.3d at 1372. Docusign urges the Court to construe the claims of the  
 19        ’460 Patent by inquiring “into how a person of ordinary skill in the art would have  
 20        understood claim terms at the time of the invention.” See Pl.’s Mot. at 7. To that end,  
 21        Docusign presents the Court with its expert, a “person of ordinary skill” in the art, and urges  
 22        the Court to adopt her proposed constructions. See id. at 12; Sokolowski Decl. ¶¶ 1-15, ex.  
 23        B. Unfortunately, the Federal Circuit requires more than the approval of the expert the Court  
 24        likes best, and claim construction necessarily involves more than approving a list of proposed  
 25        constructions agreed upon by the plaintiff, its CEO, and its expert. Claim construction is a

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1 matter of law for the Court, not for the Plaintiff's expert. See Markman v. Westview  
2 Instruments, Inc., 517 U.S. 370, 390 (1996).

3 Surprisingly, Docusign has provided the court with no legal argument or analysis on  
4 which to base a decision on claim construction. Plaintiff's claim interpretation begins with a  
5 short patent law primer, and the language of claim 1. The construction ends with a claim  
6 chart of proposed constructions, and citation to the expert's report. Markedly absent is any  
7 reference to the patent specification or prosecution history. The Federal Circuit has provided  
8 clear direction: "the court starts the [claim construction] decisionmaking process by  
9 reviewing . . . the patent specification and the prosecution history." Phillips v. AWH Corp.,  
10 415 F.3d 1303, 1313 (Fed. Cir. 2005); accord V-Formation, Inc. v. Benetton Group SpA,  
11 401 F.3d 1307, 1310 (Fed. Cir. 2005) (intrinsic record "usually provides the technological  
12 and temporal context to enable the court to ascertain the meaning of the claim to one of  
13 ordinary skill in the art at the time of the invention"). Plaintiff's total reliance on the  
14 viewpoint of Mr. Lorenzini and Ms. Sokolowski demonstrates a misapprehension of the  
15 importance of Phillips and its progeny: the specification is where the inquiry begins (i.e., not  
16 the expert declaration). Without any reference to the patent specification, the Court is  
17 unable to conclude that Plaintiff's construction of the claims is correct. Indeed, the Court is  
18 unable to even begin the process of claim construction on this record. The Court declines to  
19 undertake a *sua sponte* analysis of the specification – without any direction from the parties  
20 – in order to construe the claims of the '460 Patent. The Federal Circuit has not required that  
21 claim construction take place in a vacuum. Plaintiff has not presented sufficient evidence  
22 based on the specification and prosecution history to construe the claims. Accordingly, the  
23 Court is also unable to undertake a meaningful comparison of the claims to the accused

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1 device: the Sertifi system. The Court must therefore conclude that Plaintiff has failed to  
 2 demonstrate a reasonable likelihood of success on the question of infringement.<sup>4</sup>

3           **b.     Invalidity**

4           Docusign must also demonstrate that it will likely withstand any challenge to the  
 5 validity of the '460 Patent. See Genentech, 108 F.3d at 1364 . Sertifi urges that the '460  
 6 Patent is invalid for reasons of indefiniteness and lack of enablement, and that Docusign's  
 7 Motion for Preliminary Injunction should be denied. A patent is presumed valid, and the  
 8 party challenging validity must do so with clear and convincing evidence. 35 U.S.C. § 282;  
 9 Genentech, 108 F.3d at 1364 n.2. However, at the preliminary injunction stage, a lesser  
 10 "substantial question" standard is used. Amazon.com, Inc. v. Barnesandnoble.com, Inc., 239  
 11 F.3d 1343, 1358 (Fed. Cir. 2001).

12           Sertifi asks the Court to take a further step, and "declare the claims of U.S. Patent No.  
 13 6,289,460 invalid." Def.'s Opp, docket no. 12, at 10. Sertifi asserts as an affirmative  
 14 defense that the claims of the '460 Patent are invalid. See Answer, docket no. 11, at 4.  
 15 Docusign objects to this request for a declaration of invalidity because it was not brought as  
 16 a motion. See Fed. R. Civ. P. 7(b), Local Rule CR 7(b), (d). A request for summary  
 17 judgment on an affirmative defense must made by motion, and not raised for the first time in  
 18 an Opposition to a Preliminary Injunction. Accordingly, Sertifi's motion to declare the  
 19 claims of the '460 Patent invalid is DENIED.

20           Whether Sertifi raises a "substantial question" as to invalidity is only relevant in the  
 21 context of a Preliminary Injunction, and the question of summary judgment on the

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25           <sup>4</sup> To the extent this Court's ruling is unclear as to a direction for eventual claim  
 26 construction, the Court offers Phillips as a guide: "[c]onclusory, unsupported assertions by  
 experts as to the definition of a claim term are not useful to the court." 415 F.3d at 1318.  
 Extrinsic evidence at odds with the written record of the patent is also of no use. See id. The  
 Court urges the parties to start with the specification and prosecution history.

1 affirmative defense of invalidity is not properly before the Court.<sup>5</sup> Accordingly, the Court  
 2 need not address invalidity at this stage of the litigation because Plaintiff has failed to  
 3 demonstrate a reasonable likelihood of success on the question of infringement.

4       **2. Irreparable Harm**

5           Docusign urges the Court to presume irreparable harm based on a strong showing of  
 6 likely infringement of a valid and enforceable patent. However, Docusign has not made a  
 7 strong showing of likely success on the merits and is therefore not entitled to a presumption  
 8 of irreparable harm. See Abbot Labs v. Andrx Pharms., Inc., 452 F.3d 1331, 1347 (Fed. Cir.  
 9 2006).<sup>6</sup> Docusign must prove its harm. See id. Sertifi urges the Court to conclude that  
 10 Docusign's allegations of harm are purely speculative. Docusign argues that Sertifi's  
 11 competition undermines its attempts to solidify market position through promotion of new,  
 12 patented technology. However, although Docusign offers speculation on the possible  
 13 impacts of Sertifi's presence in the marketplace, it fails to support its argument with  
 14 evidence. Docusign's claim of irreparable harm is weakened by its apparent delay in  
 15 bringing suit. Docusign was aware of the Sertifi system, which it believed to be infringing,  
 16 as early as May 10, 2005, yet waited nearly a year to file suit and seek injunctive relief. See  
 17 Doyle Decl., docket no. 13, ¶ 3. This delay undermines its claim of irreparable harm and  
 18 request for immediate injunctive relief.

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21           <sup>5</sup> To the extent the invalidity questions of indefiniteness and enablement are closely  
 22 intertwined with claim construction, the Court will defer consideration of any renewed motion  
 23 for summary judgment on the invalidity affirmative defense until after claim construction.

24           <sup>6</sup> Sertifi argues that no presumption of harm is proper, in any event, in the wake of eBay  
 25 Inc. v. MercExchange, L.L.C., 547 U.S. \_\_\_, 126 S. Ct. 1837 (2006), which held that the party  
 26 seeking permanent injunctive relief was not entitled to a presumption of harm, but must  
 demonstrate irreparable injury. Abbott, which came after eBay, assumed (without deciding) that  
 such a presumption was still appropriate in the preliminary injunction context, where a strong  
 showing of likely infringement was made. In this case, however, whether the presumption of  
 harm still exists is irrelevant. Docusign has failed to make a showing of likely infringement and  
 therefore is entitled to a presumption, even if such a presumption did exist in light of eBay.

1        Docusign fails to offer evidence in support of its claim of irreparable harm. It fails to  
 2 cite a single instance where Sertifi's competition has undermined its participation in the  
 3 marketplace. See Lorenzini Decl., docket no. 4, ¶¶ 11-17.<sup>7</sup> Docusign's allegations that it is  
 4 "certain to suffer a detrimental market impact as a result of Sertifi's infringing system" are  
 5 purely speculative. See id., ¶ 15. The Court is unable to conclude that Docusign has  
 6 demonstrated the prospect of irreparable harm. See, e.g., Abbott, 452 F.3d at 1347-48.

7        **3. Balance of Hardships**

8        Docusign urges the Court that to find that the balance of hardships tips in its favor on  
 9 the basis of a strong showing of likely infringement. Without such a showing, however,  
 10 Docusign must demonstrate that the balance of hardships tips in its favor. Assuming that  
 11 competition will harm Docusign's ability to market its products, the Court must also consider  
 12 the impact on Sertifi. The Federal Circuit has held that the mere loss of market share and  
 13 customer goodwill, without more, does not overcome a patentee's right to exclude. Pfizer,  
 14 429 F.3d 1382. However, Sertifi argues that something "more" is present here. Sertifi  
 15 contends that an injunction would shut it down, putting it out of business. See Stojka Decl.,  
 16 docket no. 14, ¶ 2 ("Sertifi's entire business is providing document signature services using  
 17 the Sertifi system."). When balanced against a speculative loss of market share, Docusign  
 18 fails to convince the Court that the balance of hardships tips in its favor. Docusign might  
 19 lose market share, but Sertifi would be put out of business. While the Court recognizes the  
 20 possible revenue impacts of lower prices and competition, the Court must balance those  
 21 concerns against shutting down Sertifi's business without the benefit of a trial or proper  
 22 claim construction, for a lengthy asserted claim. See '460 Patent at 11:6-54 (claim 1).

23        The Court's review of the complex claim at issue provides strong evidence that claim  
 24 construction should be carefully undertaken before an order shutting down the Sertifi system  
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26        <sup>7</sup> As previously stated, the Court will not consider new evidence of harm submitted for  
 the first time in Reply. See, e.g., Second Lorenzini Decl., docket no. 17.

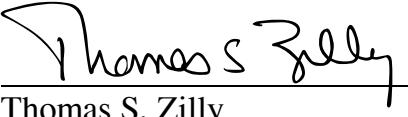
1 is considered. The balance of hardships does not tip in DocuSign's favor. For these same  
2 reasons, the Court also concludes that a preliminary injunction would adversely affect the  
3 public interest by putting a corporation out of business on a meager showing of necessity.

4 **CONCLUSION**

5 Sertifi's Sureply Motion to Strike, docket no. 21, is GRANTED, and the Court will  
6 not consider DocuSign's new facts, evidence, and argument submitted for the first time in  
7 Reply, and in the supporting declarations. DocuSign's Motion for a Preliminary Injunction,  
8 docket no. 3, is DENIED. DocuSign has failed to show a likelihood of success on the  
9 question of infringement, because it did not provide an adequate basis for applying properly  
10 construed claims to the Sertifi system. DocuSign failed to demonstrate irreparable harm,  
11 failed to show that the balance of hardships tips sharply in its favor, and failed to show that  
12 granting the injunction would not adversely affect the public interest. Sertifi's motion to  
13 declare the '460 patent invalid, docket no. 12, is DENIED.

14 IT IS SO ORDERED.

15 DATED this 19th day of October, 2006.

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18 Thomas S. Zilly  
United States District Judge  
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